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C O N F I D E N T I A L SECTION 01 OF 02 LJUBLJANA 000249

SIPDIS

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TAGS: [ENRG](#) [EINV](#) [SI](#)

SUBJECT: SLOVENIA: STRONG GOS SUPPORT FOR U.S. FIRM ASPECT
ENERGY TO SEARCH FOR GAS

REF: A. SECSTATE 82942

[1](#)B. WEEKLY EMAIL 7/8/2009

Classified By: CDA GShelton, 1.4(b),(d)

Summary

[1](#)1. (SBU) Aspect Energy, an American clean energy company, wants to do business in Slovenia exploring for natural gas in the northeastern part of the country. The Government of Slovenia recognizes that a discovery of natural gas will benefit Slovenia greatly by strengthening its energy security and bringing millions of dollars worth of royalties and foreign investment into this economically depressed region. With this in mind, the Director General for Energy, Janez Kopac, announced in a July 8 meeting with Emboff, Aspect, and its Slovenian partners that the Ministry of Economy had proposed legislation to change Slovenia's mining laws to streamline the system, removing many of the bureaucratic and technical barriers to both natural gas exploration and production. Aspect believes these legislative changes could greatly improve its chances to meet an aggressive timeline to complete their survey and to initiate exploration in the first quarter of 2010, with drilling, if gas is found, to commence as early as 2011. End Summary.

Possible Boon for Slovenia

[1](#)2. (SBU) Aspect Energy, a Denver-based energy firm primarily involved with natural gas, has partnered with Nafta Geotherm, a Slovenian state owned company, and Nemmoco a British energy company that holds the exploration rights in the region, to explore for natural gas in northeastern Slovenia. Both GOS and Aspect speculated that could yield as much as 2 billion cubic meters of natural gas based on Aspect's success in neighboring Hungary. In a July 8 meeting with Aspect, Kopac indicated the GOS has not decided whether to use any discovered natural gas for domestic consumption, thus improving their energy security, or to sell the natural gas to other countries, for example Germany or Italy, and use the profits to reduce the GOS budget deficit.

[1](#)3. (SBU) Representatives of Aspect Energy, accompanied by Dutko, Aspect Energy's business development consultant, met with CDA on July 7 to discuss their plans for Slovenia and to strategize about doing business in Slovenia. Aspect is not a novice player in the field of energy exploration and is committed to a strategy of seeking government support, community support and local partners for its project. Aspect has already generated interest from Slovenia's Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investment (JAPTI) to invest in its project.

Government Faster Than Business - New Draft Legislation

14. (SBU) As part of its strategy for gaining government support, Aspect, accompanied by its partners and Emboff, met with Kopac to discuss assisting Kopac with amending Slovenia's mining laws to create a legal framework that allows for quick exploration and drilling. Kopac requested such assistance in January. Before Aspect's presentation, Kopac announced that the Ministry of Economy had already drafted legislation amending the laws. The Ministry has published the amendments and will submit them to Parliament in early fall for review and approval. Kopac predicted that the legislation should pass early next year.

15. (SBU) Aspect noted that if the GOS provides a "business-friendly" environment towards gas exploration and drilling, Slovenia could attract more foreign investment in this area. Kopac indicated his willingness to assist in whatever way he can to help Aspect and to attract foreign investment to Slovenia, an attitude shared with the Ministry of Foreign Affairs' Robert Kokalj who coordinated the visits and set up the meetings. Kopac stated the area of Prekmurje, where Aspect is focusing its efforts, is an economically depressed area, and that spurring economic development and new job opportunities in the region were among his chief priorities.

16. (SBU) Post obtained a translated copy of the legislation on August 5 from Dutko, which is still analyzing the implications for Aspect of these draft laws. Post believes that the amendments could greatly streamline the permit process by reducing or eliminating the number of permits

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needed for exploration and for drilling. The legislation also requires the establishment of a central Mining Registry that will list all the parcels of land in Slovenia and the owners of the mineral rights for each parcel. This centralized registry will help Aspect clarify who the owners of mining rights are, since Slovene law requires companies to seek the permission of each landowner before any exploration or drilling can occur. Aspect expressed to us how pleased they were with this development.

Challenges Remain

17. (C) Aspect explained to CDA on July 7 that Slovenian law mandates that Aspect must seek the permission of every landowner before undertaking any project, and if a landowner objects, the law fails to provide a speedy mechanism to resolve the dispute. It noted that in one exploration area of 40 hectares in northeastern Slovenia, there were 35,000 landowners, raising the likelihood of a dispute which could be a "huge brake" on the process. On August 11, CDA reviewed with Marko Makovec, the PM's chief foreign policy advisor, the need for a procedure for swift judicial review in possible disputes between Aspect and landowners. CDA suggested that the draft legislation regarding alternative dispute resolution could be amended to provide a mechanism for resolving such disputes. The current legal framework allows a single landowner to delay Aspect's project by refusing to give permission and force Aspect to go through time consuming litigation. Makovec agreed on the importance of avoiding this scenario and undertook to explore the matter.

Timeline: The Faster The Better

18. (SBU) Aspect provided its best case timeline to Kopac. It plans to conduct seismic surveys in late 2009 with its partners, Nafta Geotherm and Nemmoco, that could result in gas production by 2011 if it is able to overcome the remaining challenges. The exploration rights that Aspect is using expire at the end of 2010, lending a sense of urgency for Aspect to initiate exploration. (On August 10, Nemmoco

announced that they will commence 3D seismic surveys and search for oil and natural gas in an area close to but separate from the zone Aspect intends to explore; that operation will not affect Aspect's search for natural gas.) If the initial surveys are promising, Aspect will apply for permits in early 2010 to begin exploratory drilling. Aspect stated it will take about one year to study all the results from the exploratory drilling before deciding to move forward with extraction of the natural gas. It added that the best case scenario for beginning commercial drilling of natural gas would be late 2010, most likely early 2011. Both GOS and Aspect are optimistic that they will find natural gas in northeastern Slovenia because the area shares the same geographic features as Aspect's successful natural gas fields in Hungary.

Comment

19. (C) The eagerness and strong support for the project by Kopac is mirrored throughout the government and was raised in FM Zbogar's July 29 meeting with the Secretary. Post believes the GOS is very motivated to develop the Prekmurje region which was suffering even before the current recession.

The region continues to experience heavy job losses as businesses in uncompetitive sectors, such as glassmaking and textiles, close down. Post is a strong advocate for this project -- it represents a win-win situation for both American business, by opening up opportunities for American energy companies, and for the Slovenia, by providing a windfall of revenue from gas sales and improving its energy security. End comment.

SHELTON